Co-operation in Practice - Governance

In 2012 the Co-operative Federation of Victoria Ltd (Co-operatives Victoria), the Co-operative College in the UK and the SouthEast Housing Co-operative Ltd co-produced a series of short films on Co-operation in Practice featuring the then Chief Executive Officer and Principal of the Co-operative College Mervyn Wilson – Directors, Education, Governance, International, Members, Principles, Social Enterprises and Values. Filming was undertaken by Trade Creative. For each film the Co-operative College prepared a transcript.

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Co-operatives are not immune to governments' failings, and without having institutional shareholders and a financial press watching over them, this means it is even more important for members to be the critical friend, exercising accountability of the board and helping ensure good governance. I remember on a project in Lesotho in Southern Africa going to visit a savings and credit co-operative, and there was a notice on the wall that said the biggest threat to any credit union is its board. And what it was really saying is that unless you have got a very clear mechanism for openness and for transparency, for accountability, there is always the danger of abuse and governance failings.

And certainly if I look at the late 80s and early 90s in the UK there was a whole series of governance failings. There was one Chief Executive who said if you look behind every failure of a co-operative in the UK, it wasn't just an economical business failure, it was a governance failure as well. That led to some very interesting work and a working party looking at what would constitute good co-operative governance. At the heart of its report it said the only ingredient of good co-operative governance was an active and informed membership that had available to it honest and fair information. Because if we also look back it was all so very easy in the past for some co-operatives to hide performance in detailed notes, to have figures that said one thing, but a narrative that said despite all of the adverse trading figures...well, tales from the planet sunshine was one way of putting it, that there was an over optimistic outlook going forward.

What this requires again is good communications, accessible meetings, a culture of democratic renewal where there is an acceptance that board members should not go on forever, that there should be limitations of terms of office, encouraging new people. And one of the recommendations made in our corporate governance code was that there had to be training for directors and for board members; the mere fact that you were elected as a board member didn't mean that you had the competencies and skills to be a board member. I often draw the parallel with our political process and say merely look at parliaments in any democratic country and say do democratic elections alone mean you have the skills and competencies to be an effective minister, and you can comment on that in your own context.

But what we have now is a commitment to education and training, not simply for existing board members, but also for potential board members, so hopefully going forward they can hit the ground running having had some good training in terms of the skills that they need. We have also embedded this within a code of best practice on corporate governance for the co-operative sector that not only builds on some of the standard codes that have been developed for the public sector and the private sector, but are customised to the specific characteristics of co-operatives. It also means being open in the reporting on governance that says alongside publication of the financial statements there will be a statement of compliance with that corporate governance code. Our apex body can monitor that and ensure that we have got the best in terms of co-operative self-regulation and ensuring good governance standards for our co-operative sector.

Film available at CoOperationdg
https://www.youtube.com/channel/UCvnVDdQMYk112jAgJ-pvfFA